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Market Brief - Product

Austria : Recent Developments in the Austrian Food Market

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Vienna [AU1], AU

Recent Developments on the Food Market

Summary:

Food expenditures have been rising in absolute terms but their share of total expenditures per household show a declining trend. The 1998 consumption of confectionaries rose 1.9% compared to 1997. The market for alcoholic beverages is declining whereas that for non-alcoholic beverages shows a rising trend. Products related to wellness are particularly in.

Food Expenditures Rising

According to a market study, expenditures for foods and beverages rose to AS 70,300 per household which is an increase of 0.75% (in absolute terms) compared to 1997. However, in regards to total expenditures, food and beverage expenditures dropped from 19.6% to 19.4%. While the food trade loses shares on total expenditures of AS 363,000/household (+2%), other branches such as restaurants, sport, amusement, housing, traffic, computer, telecommunication, etc. gain. On the food sector, ready to eat dishes, convenience products, and frozen products are finding an increasing market.

In 1998, the following amounts were spent (in parenthesis share of total expenditures): Foods and beverages AS 70,300 (19.4%), tobacco products: AS 8,345 (2.3%), housing AS 61,635 (17%), energy AS 18,780 (5.2%), furniture AS 37,775 (10.4%), cloth AS 31,400 (8.7%), cosmetics AS 10,160 (2.8%), health AS 13,495 (3.7%), education/recreation AS 40,035 (12.4%), traffic AS 61,880 (17.1%), others AS 3,780 (1%). An average Austrian household includes 2.5 persons.

Confectionary Market Increasing

As in the last 2 years raw material prices have increased significantly, a price rise for confectionary products is expected in 1999.

In 1998, the turnover of confectionaries was AS 6.59 billion, an increase of 1.9% compared to 1997. Pastry bars have been losing market shares whereas cereal bars have a bright future. Chewing gum development goes to sugar free drops, which should have a 10% growth potential. Within the wafer sector, high price and high quality products and discount products are market leaders. The demand for boxes with assorted chocolates/pralines is declining whereas there is a trend towards boxes with one type of chocolate. In general, it is expected that the market for boxes with chocolates will

decline by 2% in 1999. The carton box is expected to remain the most important container for certain chocolates but textiles and flow packs have been gaining significance. Given the drop in exports to Russia, low price chocolates are increasingly offered on the domestic market.

The wellness wave has not stopped in front of confectionaries. In the growing chewing gum sector, the assortment of sugar free types is rising. In addition, dietetic chocolate, sugar free candies, products enriched with fibers and vitamins find a slowly increasing market.

Shares of Confectionary Products of the Total 1998 Confectionary Market (in parenthesis change in % compared to 1997).

Chocolate bars or blocks	18% (+0.6%)
Chocolate pieces and assortments	17% (+0.6%)
Various cookies	13% (+3.4%)
Normal chocolates	13% (+6.6%)
Wafers	11% (-0.2%)
All others	27% (0.0%)

Change in Market Shares of the Retail Trade

Around 94% of the food market is covered by only seven supermarket chains. As only a partial purchase of the Austrian supermarket chain Julius Meinl (market share 6.4%) by the REWE/Billa concern was approved by Brussels, Billa's market share will only rise to 30.1%. This means an increase by 2.6 percent points instead of 6.5 percent points if the entire Meinl chain would have been acquired. Contrary to previous intentions, Meinl will maintain 100 shops with an expected market share of 3.9%.

The following market shares are expected after the partial Meinl transaction: Billa 30.1%, Spar 24.1%, Adeg 12.0%, Hofer 10.0%, ZEV 8.9%, Zielpunkt/Loewa 4.7%, Meinl 3.9%, and all others 6.3%.

Trends in the Beverage Sector

According to a 1998 Nielsen survey carried out on supermarkets, demand for mineral water, fruit juices and ice tea increased considerably whereas consumption of alcoholic beverages is decreasing. According to the industry, the decline in the sale of alcoholic beverages by the gastronomy is even somewhat sharper than by the retail trade. The introduction of the 0.05 percent alcohol limit for drivers was the main reason for this decline in consumption of alcoholic beverages.

The sale of alcoholic beverages by volume declined by 0.8% whereby the strongest turnover carrier beer dropped by 1.2%. According to the brewery industry, the Austrian market is probably saturated with normal beer. However, light beers, medium varieties, mixed beers, and alcohol free beers gained market share up to 20% in the first half of 1998 compared to the same period of 1997. In response to this trend, these well selling bottled products are now also offered on tap.

The “winners” were all alcohol free products except the classical lemonades. The large increase in consumption of non-alcoholic beverages is due to rising health awareness and the large availability of mineral water in PET bottles.

Changes on the beverage market are moving quickly and are influenced by actual life style trends. Successful products such as Red Bull created new beverage types. For the sale of a beverage it is not so important how efficient it is against thirst but how promising it is for wellness and physical performance.

Change in Beverage Sales in 1998 compared to 1997:

Total Beer	-1.2%
of which alcohol free beer	+4.6%
Lemonades	-0.8%
Total fruit juices	+6.3%
Total fruit juices	+5.3%
Ice tee	+4.1%
Energy drinks	+6.2%
Total non-alcoholic drinks	+3.6%
Coffee	-0.4%
Tee in bags	+2.2%
Total hot drinks	+2.0%